MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BAC4674 – INTEGRATED CASE STUDIES

(All Sections/Groups)

3 OCTOBER 2023
9.00am – 12.00pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages (including cover page) with **FIVE** questions only.

2. Answer **ALL** questions. Distribution of the marks for each question is given.

3. Write your answers and workings in the answer booklet provided.

Han's Skincare Cosmedic

Han's Skincare Cosmedic is a newly established private company which was founded by Hanny in January 2018. The founder, who is also the chairman of the company, aims to create a better world with natural and safer skincare products and cosmetics. Previously, the founder is a specialize skincare doctor. The founder had come out with an awesome natural skincare products and cosmetics which are suitable for Asian skin.

The business objectives of Han's Skincare and Cosmedic are to develop and market a holistic line of plant-based natural cosmetics and skincare products that is designed to give consumers an overall sense of personal well-being, health and beauty. The founder, Hanny makes sure the finest natural ingredients are used to ensure the quality of the product. The cosmetics industry is a very competitive industry but since the products of Han's Skincare and Cosmedic are 100% plant-based ingredients, makes the business growth successfully. Furthermore, the background of the founder contributes to the success.

Han's Skincare and Cosmedic focused on two product categories: skincare and cosmetics. Both products are natural-based products and have no added chemical to ensure the quality of the products. Furthermore, both products are designed for teenager and adult skin.

The high-quality ingredients used in Han's products have led to high cost of production. There has been a lot of flux in ingredients' pricing, and it is often the organic ingredients that are affected (especially therapeutic grade essential oils). Weather has also affected crops, resulting in lower yields and has also affected crops, resulting in lower yields and has thus raised the prices of the ingredients. Moreover, the products are mostly handcrafted, resulting in high labor cost. Although the final product is relatively high, the product quality adds value for customers. Nevertheless, the target market and product pricing strategy are a concern of the management.

Han's product faced strong competition from highly established foreign cosmetics and skincare brands. In addition to this, Han's set the price according to the targeting market. Prices for adults are set higher compared to teenagers. Besides that, the target market is middle to high income households. The pricing is quite expensive due to premium quality and high production cost. However, Han's must make sure that the price for the products must be reasonable. It is not easy to set a reasonable price for the products. If Han's products' price is set too low, consumers will assume the products not in a good quality but if too high,

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Han's will lose market demand. So far, Han's products get good feedback from consumers and high market demand. Han's can compete among their rivals. However, Han's still unsure whether to sell its products either at average industry prices to earn profits higher or below industry average to gain market share. This is because nowadays, there are many beauty products claim to be natural based product.

Han's distributed its products through beauty centers, health exhibitions, booth vendors and through online marketing. The Chief Executive Officer is concerned about the limited market scope. She feels that the company must explore a wider market for its products.

Profit for Han's had been stable since established. However, the company faced financial issues in 2020 and 2021. This is because of COVID-19. These two years have been very stressful years for this industry. Malaysian had to implement Movement Control Order and many beauties center cannot operated as usual. Due to this, Han's can only distribute its products through online marketing.

Sales dropped drastically in two years due to many people losing their jobs and this may cause them to purchase needed products compared to others. Skincare and Cosmetics were not considered as needed products. Due to this, Han's faced very serious financial issues. Should Han's remain in the industry or just quit from the industry?

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Appendix

Extracts from financial statements

Income Statement for the year ended 31 December

	2019	2018
	RM	RM
Sales	350,000	250,000
Cost of sales	180,000	140,000
Gross profit	**170,000**	**110,000**
Less: Marketing expense	(21,000)	(15,000)
Other operating expense	(22,600)	(17,800)
Operating profit	**126,400**	**77,200**
Less: Finance costs	(2,500)	(3,000)
Profit before tax	123,900	74,200
Less: Tax expense (20%)	(24,780)	(14,840)
Profit for the year	**99,120**	**59,360**

Statement of financial position as at 31 December

	2019	2018
	RM	RM
Non Current Assets		
Motor Vehicles	78,000	-
Tools and equipment	43,280	38,790
Current Assets		
Cash	18,690	13,280
Trade receivables	2,476	1,879
Inventories	5,670	4,860
Current Liabilities		
Trade payables	1,970	2,310

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Income Statement for the year ended 31 December

	2020	2021
	RM	RM
Sales	140,000	180,000
Less: Variable Cost		
Cost of goods sold	(88,000)	(92,000)
Selling and administrative cost	(56,000)	(62,000)
Total Variable Cost	(144,000)	(154,000)
Contribution Margin	**(4,000)**	**26,000**
Less: Fixed cost		
Cost of goods sold	(43,000)	(43,000)
Selling and administrative	(27,000)	(27,000)
Total Fixed cost	(70,000)	(70,000)
Net Loss	**(74,000)**	**(44,000)**

Required:

1. As the Chief Financial Officer of the company, you need to give some feedback regarding the financial position of the company.

   (a) Evaluate the short-term financing for 2018 and 2019.

   (12 marks)

   (b) Evaluate the profitability for 2018 and 2019.

   (12 marks)

2. Both the years 2020 and 2021 are very stressful years for this company. The company gets a net loss for both years. As the Chief Financial Officer, advise the Chief Executive Officer either to shut down the operation or continue the operation. Justify your answers with economic theory and issues.

   (10 marks)

3. The founder needs to develop a good business plan in order to compete in the industry. Marketing mix is one of the elements that need to be considered to achieve the mission. Discuss how a marketing mix strategy can help Han's Skincare Cosmedic to develop a successful business plan.

   (20 marks)

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4. (a) Explain seven (7) common pricing strategies.

(14 marks)

(b) Advise an appropriate pricing strategy for each product category produced by Han's Cosmedic. Justify your answer with the situation in the case.

(10 marks)

5. Nowadays people are more conscious about their health and beauty.

(a) What is the definition of competitive strategies. Elaborate four (4) types of competitive strategies.

(16 marks)

(b) Suggest the best competitive strategies for Han's Skincare Cosmedic product. Justify your answers.

(6 marks)

Total : 100 marks

End of Paper